

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

S-1734

DATE OF INTRODUCTION:

May 8, 2008

SPONSOR:

Senator Allen

DATE OF RECOMMENDATION:

June 12, 2008

IDENTICAL BILL:

COMMITTEE:

Senate Health, Human Services and Senior Citizens Committee

DESCRIPTION:

This Bill proposes to eliminate the imposition of sales tax on certain initiation fees, membership fees and dues of health and fitness clubs.

ANALYSIS:

On and after October 1, 2006, the law (P.L. 2006, c. 44) imposes sales and use tax on the charges for initiation fees, membership fees or dues for access to or use of the property or facilities of a health and fitness club or organization in New Jersey, unless the club or organization's members are predominantly age 18 or under.

Since the time of its enactment, sales of memberships, etc. made by government entities and certain qualifying non-profits have been excluded from this imposition. This has left a disparity of sales tax treatment throughout the industry. This proposal intends to repeal the remaining imposition of sales tax on memberships sold by these facilities.

As this area of imposition was enacted effective October 1, 2006, this area is a new revenue source for the State. The Commission has not previously been presented with any reasoning compelling enough to support the repeal or chipping away of this new initiative. However, the Commission believes that the recent carve-out for government and exempt organizations has created an inherent unfairness in the application of this imposition and supports a repeal of the imposition.

RECOMMENDATION:

The Commission recommends enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 5

COMMISSION MEMBERS AGAINST PROPOSAL: 0

COMMISSION MEMBERS ABSTAINING: 0